

FISCAL NOTE

Bill #: SB 318

Title: Revise registration and licensing for quadricycles

Primary Sponsor: Laible, R.

Status: As Amended in Senate Committee

Sponsor signature

Date

David Ewer, Budget Director

Date

Fiscal Summary

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
Expenditures:		
General Fund	\$15,306	\$0
State Special Revenue	\$42,551	\$63,311
Revenue:		
General Fund	\$126,745	\$168,297
State Special Revenue	\$52,500	\$105,000
Net Impact on General Fund Balance:	\$111,439	\$168,297

- | | |
|---|--|
| <input type="checkbox"/> Significant Local Gov. Impact | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached | <input checked="" type="checkbox"/> Needs to be included in HB 2 |

Fiscal Analysis

ASSUMPTIONS:

1. SB 318 revises the registration and licensing of quadricycles. The bill requires license plates for quadricycles and provides for a quadricycle endorsement or certification.
2. In FY 2004 there were approximately 26,000 quadricycles registered.
3. Under current law, beginning in calendar year 2004, quadricycles were permanently registered, and in calendar year 2005 and beyond, will only be registered when new, or a change in ownership occurs.
4. Ownership (including new) of a quadricycle changes about every three years; therefore, ownership for one-third of the quadricycles registered in Montana would change each year, or 8,667 (26,000 x 33.33%) quadricycles.

Registration Fees

5. Under the proposal, quadricycles are not required to pay the following fees during registration:
 - The off-highway tax of \$40,
 - The \$2 extra off-highway registration fee,
 - The \$19.25 off-highway registration fee, or
 - The on-road motorcycle registration fee of \$11.25.

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6. Approximately two-thirds of quadricycles, or 5,778 ($8,667 \times 66.67\%$) will pay the off-highway tax of \$40, the \$2 extra off-highway registration fee, and the \$19.25 off-highway registration fee each year. The proposal, by exempting quadricycles from these fees, would *reduce* general fund revenue by \$353,903 ($5,778 \times (\$40 + \$2 + \$19.25)$) each year.
7. Approximately one-third of quadricycles, or 2,889 ($8,667 \times 33.33\%$) will pay the on-road motorcycle registration fee of \$11.25 each year. The proposal, by exempting quadricycles from this fee, would *reduce* general fund revenue by \$32,501 ($2,889 \times \11.25) each year.
8. Since the effective date of the bill is January 1, 2006, and approximately 75% of quadricycles register in the second half of the fiscal year, the FY 2006 impact will be a three-quarter (75%) year impact.
9. Per assumptions #5 through #8, the revenue reduction associated with exempting quadricycles from the aforementioned fees would *reduce* general fund revenue by \$289,803 ($(\$353,903 + \$32,501) \times 75\%$) in FY 2006, and \$386,403 ($\$353,903 + \$32,500$) in FY 2007.
10. SB 318 provides for a new registration fee for quadricycles of \$59.25.
11. In FY 2006, it is assumed that 8,667 quadricycles would register, with 75%, or 6,500 ($8,667 \times 75\%$) registering after the effective date of the bill. In FY 2007, it is estimated that 8,667 quadricycles will be registered.
12. It is estimated that the new *annual* registration fee of \$59.25 would generate *additional* revenue of \$385,125 ($6,500 \times \59.25) in FY 2006, and \$513,520 ($8,667 \times \59.25) in FY 2007.
13. SB 318 also provides that all quadricycles, with the exception of those currently permanently registered (which must purchase plates by January 1, 2008) must purchase and display license plates. The plate fee is \$5.
14. Using estimated vehicle counts from assumption #13, it is estimated that the new plate fee would generate an additional \$32,500 ($6,500 \times \5.00) in FY 2006, and \$43,335 ($8,667 \times \5.00) in FY 2007.
15. Revenue from registration and plate fees is estimated to *increase* by \$127,822 ($-\$289,803 + \$385,125 + \$32,500$) in FY 2006, and \$170,452 ($-\$386,403 + \$513,520 + \$43,335$) in FY 2007.

Temporary nonresident permits

16. According to the Department of Fish, Wildlife and Parks (FWP), the current nonresident decal fee of \$5.00 was assessed on 862 off-highway vehicles (OHVs) that were not registered within their own state, for total of \$4,310 ($862 \times \5.00). It is assumed that 50% of those fees, or \$2,155 were paid for quadricycle use in Montana.
17. Under the proposal, quadricycles would not pay the current law \$5.00 fee. For purposes of this fiscal note, it is assumed that 50% of nonresident decal fees are purchased in the second half of the fiscal year, yielding an estimated *decrease* to the general fund in FY 2006 of \$1,077 ($\$2,155 \times 50\%$). In FY 2007, general fund revenue would be *reduced* by the full year amount of \$2,155.
18. Under section 6 of the bill, a \$10 fee is paid for a temporary off-road nonresident permits. Based on FWP nonresident OHV/quadricycle program figures, it is assumed that the annual number of temporary nonresident quadricycle registration is 8,000.
19. Assuming 75%, or 6,000 ($8,000 \times 75\%$) of the nonresidents will utilize public lands, and 25% will utilize private properties and not require a registration decal. The \$10 annual temporary nonresident quadricycle registration permit sales would generate \$60,000 ($6,000 \times \10.00) per year to be deposited in a state special revenue account for FWP for administration purposes.
20. Under section 10 of the bill, a \$15 fee is paid for a temporary on or off-road nonresident permits. FWP estimates an additional 3,000 of the nonresident quadricycle will be street legal, requiring purchase of the \$15 temporary nonresident driving permit. This permit would generate an estimated \$45,000 ($3,000 \times \15) per year to be deposited in the state special revenue account for FWP.

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21. Again assuming that 50% of nonresident decal fees are purchased in the second half of the fiscal year, this yields an estimated *increase* to the state special revenue account for FWP in FY 2006 of \$52,500 $((\$60,000 + 45,000) \times 50\%)$. In FY 2007, the state special revenue account for FWP would be *increased* by the full year amount of \$105,000 $(\$60,000 + \$45,000)$.

Administrative costs

Department of Justice (DOJ)

22. DOJ anticipates one-time operating costs in FY 2006 of \$15,306. These costs include 124 hours of programming and the equivalent of 16 days of computer usage to remove off-highway vehicle (OHV) fees and motorcycle fees from quadricycle registrations, change the quadricycle registration fee, add the quadricycle endorsement of Montana driver licenses, and add a temporary quad driving permit and fee code for non-residents.

Fish, Wildlife and Parks (FWP)

23. Currently, FWP is the only entity offering a certified safety course for OHV and quadricycle units. Contracted certified safety trainers to provide safety training will cost \$26,320 annually.
24. Assuming 4,000 applications at \$1.75 each, the annual cost to administer the Internet process and fee collection will cost \$7,000 annually.
25. Additional travel and operational needs to administer this program will be \$1,000 annually.
26. Costs for production and printing 6,000 non-resident temporary decals (@ \$0.45) would be \$2,700.
27. Commissions to the license agent for the sale nonresident temporary quadricycle registrations (6,000 registrations) and driver safety permit process (3,000 registrations) are \$4,500.
28. Costs for FWP to develop an interactive Internet safety training and certification tool will initially cost \$15,000.
29. The cost estimates for FWP to develop a safety video are \$6,500. Viewing this video may be used to satisfy the nonresident temporary driving permit/safety certification.
30. Re-production costs for 125 safety videos (\$6.25) will be \$781. This safety video will be distributed to certified training locations.
31. The cost to develop safety educational materials will be \$975.
32. Re-production costs for 7,500 safety brochures (\$1.75) will be \$13,125.
33. FWP assumes that 50% of the decal revenue will be collected, and 50% of the associated annualized expenditures will incur in FY 2006.
34. FY 2006 FWP costs are estimated to be \$42,551 $((\$26,320 + \$7,000 + \$1,000 + \$2,700 + \$4,500 \text{ annual costs} \times 50\%) + ((\$15,000 + \$6,500 + \$781 + \$975 + \$13,125 + \$2,700 + \$4,500 \text{ one-time costs}) \times 50\%)$.
35. FY 2007 FWP costs are estimated to be \$63,311 $((\$26,320 + \$7,000 + \$1,000 + \$2,700 + \$4,500 \text{ annual costs}) + ((\$15,000 + \$6,500 + \$781 + \$975 + \$13,125 + \$2,700 + \$4,500 \text{ one-time costs}) \times 50\%)$.

Summary

36. General fund revenue is estimated to increase by \$111,439 $(\$127,822 - \$1,077 - \$15,306)$ in FY 2006, and \$168,297 $(\$170,452 - \$2,155)$ in FY 2007.
37. The state special revenue account for FWP for administration purposes \$9,949 $(\$52,500 - \$42,551)$ in FY 2006, and \$41,689 $(\$105,000 - \$63,311)$ in FY 2007.

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FISCAL IMPACT:

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
Department of Fish, Wildlife & Parks		
<u>Expenditures:</u>		
Operating Expenses	\$42,551	\$63,311
<u>Funding of Expenditures:</u>		
State Special Revenue (FWP)	\$42,551	\$63,311
Department of Justice		
<u>Expenditures:</u>		
Operating Expenses	\$15,306	\$0
<u>Funding of Expenditures:</u>		
General Fund (01)	\$15,306	\$0
<u>Revenues:</u>		
General Fund (01)	\$126,745	\$168,297
State Special Revenue (FWP)	\$52,500	\$105,000
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
General Fund (01)	\$111,439	\$168,297
State Special Revenue (FWP)	\$9,949	\$41,689

LONG-RANGE IMPACTS:

The general fund would have an increase in revenues of approximately \$210,000 per year. Additional revenue will be received when those quadracycles that are currently permanently registered are required to purchase the new license plates by January 1, 2008. Assuming approximately 16,000 permanently registered quadracycles would be required to purchase plates by January 1, 2008; it would yield future general fund revenues of approximately \$80,000 (16,000 x \$5.00).

TECHNICAL NOTES:

1. The new \$5.00 plate fee under new section 3(3)(b) appears to be a one-time purchase upon registration. However, it is unclear when a new plate would be purchased – if ever. For example, would a plate remain with the vehicle when an ownership change occurs?
2. SB 318 includes coordination language with SB 285, which significantly changes motor vehicle statutes. The coordination language in SB 318 does not include the most recent amendments in SB 285. In particular, on page 16, beginning on line 17, the fees imposed on rental snowmobiles has been changed in SB 285 – the coordination language in SB 318 should be updated to include this change.
3. Department of Justice believes additional costs could be incurred if changes are necessary for the mainframe legacy system as a result of legislative changes.